

Service Date: January 23, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application Of)	UTILITY DIVISION
MONTANA-DAKOTA UTILITIES COMPANY,)		
a Division of MDU Resources Group,)	DOCKET NO. 88.11.53
Inc., for Authority to Establish)	
Increased Rates for Gas Service.)	ORDER NO. 5399c

ORDER ON APPLICATION TO REMOVE
SACO SERVICE PERSON

APPEARANCES

FOR THE APPLICANT:

Douglas Schulz, 400 North Fourth Street, Bismarck, North Dakota 58501

FOR THE MONTANA CONSUMER COUNSEL:

Mary Wright, Staff Attorney, 34 West Sixth Avenue, Helena, Montana 59620

FOR THE COMMISSION:

Robin McHugh, Staff Attorney, 2701 Prospect Avenue, Helena, Montana 59620

BEFORE:

DANNY OBERG, Presiding
CLYDE JARVIS, Chairman
JOHN B. DRISCOLL, Commissioner
HOWARD L. ELLIS, Commissioner
WALLACE W. 'MERCER, Commissioner

PROCEDURE

1. On January 18, 1989 the Public Service Commission (PSC) received a letter from Montana-Dakota Utilities Company (MDU) indicating that the MDU service person in Saco, Montana, would be transferred to Malta, Montana, effective September 1, 1989.

2. A transfer of this kind does not normally require PSC approval, however it may, when opposed by the public. Additionally, in this instance, the transfer has been considered by the PSC in a prior MDU general rate case, Docket No. 85.7.30. This did result in a specific finding that MDU should continue to assign a service person to the Saco community.

3. Therefore, the PSC considers MDU's "notice of transfer" as a "request to transfer." The request has been made part of the MDU general rate case, Docket No. 88.11.53.

4. On November 7, 1989 a public hearing on the request was held in Saco. Marvin Diede, Vice President of Operations, MDU, testified in support of the request. James Hanson, Clark Cleveland, Clarice Stahl, E.H. Boucher and Walter Siewing, members of the concerned public, testified in opposition to the request.

SUMMARY OF TESTIMONY

5. Mr. Diede testified that the Saco area would not be materially affected by the requested transfer. He testified that Saco would continue to receive quality and reliable service. He testified that the transfer would be economically advantageous to MDU. Mr. Diede also provided statistics on service calls, nature of service calls, customer to service person ratios, and cost savings, all related to the intended transfer.

6. Mr. Hanson, Mr. Cleveland, Ms. Stahl, Mr. Boucher and Mr. Siewing, expressed concerns, questioned the basis and accuracy of MDU's statistics, and provided additional information and comment. One or more of these witnesses testified that: the MDU statistics are based on unusually warm winters; the MDU cost savings calculations do not take into account costs to be incurred by serving Saco from Malta or Glasgow; MDU personnel from other areas had been in Saco at times when the Saco service person was in Malta; economics is not the only factor, the community good should be considered; and both human and industry loss might be precipitated by the increased response time resulting from a transfer.

FINDINGS OF FACT

7. Saco, Montana is a town. It is also a community, a geographical area. It is located in north central/eastern Montana. It, and Hinsdale, a nearby town, are located about half way between Malta and Glasgow on U.S. Highway 2. More specifically Saco is 28 miles east of Malta and 42 miles west of Glasgow. Hinsdale is 13 miles east of Saco. Saco is served by MDU and by Saco Gas, a municipal system. The municipal system serves 130 to 140 customers within the Saco city limits, slightly more than MDU. The municipal system service person does not serve customers beyond the meter.

8. Insofar as they are consistent with the remaining findings and conclusions herein, the specific PSC findings pertaining to transfer of the Saco service person as set forth at paragraphs 113 through 118, pp. 44 and 45, MDU Docket No. 85.7.30, Order No. 5160a (the previous MDU general rate case) are adopted by this reference as findings in this request and attached as Appendix A (excerpt only).

9. MDU has complied with the PSC order in Docket No. 85.7.30, Order No. 5160a. MDU has continued to assign a service person to Saco, the service person has continued to reside in Saco, and the service person has performed work in both Saco and Malta as the need has warranted.

10. Although the MDU service person resides in Saco, he works in Malta, primarily. Normally he travels to Malta each morning and back to Saco each afternoon, taking care of Saco service calls in a manner so as to avoid special trips. Sufficient for all purposes herein, the MDU service person works 30 percent of his time in Saco, 10 percent of his time on travel, and 60 percent of his time in Malta.

11. Although in compliance with the prior order of the PSC, it should be noted that MDU has taken some steps that allow the figures above to reflect the percentages that they do. First, the Hinsdale calls have been handled by a Glasgow service person. Second, the Saco area meter reading function is no longer assigned to the Saco service person.

12. However, any other assertion or question that MDU may have assigned other service persons to Saco to alter the figures presented, must be decided favorable to MDU. Personnel from MDU appearing from Malta, Wolf Point or Glasgow, while the Saco service person was in Malta, were performing tasks that the Saco service person would not normally perform in any event -- engineering, corrosion matters and regulation.

13. From June, 1986 through May, 1989, three years, MDU had an average of 22 service calls per month for the Saco area. The average for MDU is 137 service calls

per month per service person, in the other serviced communities. Specific statistics for winter months only were not available.

14. From June, 1986 through May, 1988, two years, MDU received 14 after-hour service calls from the Saco area. Three of these were “freeze ups.” From June, 1988 through September, 1989, 16 months, there were 12 after-hour service calls. Five were for “freeze ups.” Some of these service calls were not handled by the Saco service person for reasons such as vacation or sick leave.

15. “Freeze up” service calls have a particular nature in the Saco area. Most occur on a main line serviced by a company other than MDU (Williston Basin Interstate Pipeline Co.). The nature of the “freeze ups” is such that the effective response time of MDU is dependent on the response time of the other company.

16. MDU, under normal conditions, can respond to Saco service calls from Malta within 30 to 45 minutes. The MDU average response time to other towns without service persons is about 48 minutes.

17. The saving to MDU would be about \$8,500 per year to transfer the Saco service person to Malta. This figure represents \$3,500 for travel and \$5,000 for time/labor. It does not take into consideration the cost of serving Saco from Malta.

18. The MDU customer to service person ratio in Malta is 600-1, Glasgow 730-1, Hardin 785-1, Laurel 1,081-1 and Bridger 1204-1. MDU’s Saco customer to service person ratio would be 234-1 if the service person were assigned only to Saco.

19. If the requested transfer were allowed MDU would serve the Saco area on nonemergency matters on a once per week basis. Emergency matters would be handled as

soon as possible as they arise. There would be a greater response time. Hinsdale would be served by Glasgow, under similar arrangement and response times.

CONCLUSIONS OF LAW

1. The PSC has jurisdiction over this matter. See, Title 69, Ch. 3, MCA.
2. The Commission is charged with insuring that utility customers receive adequate service. Sections 69-3-102 and 69-3- 201, MCA.
3. Under the facts of this case there is no compelling reason why MDU should not be permitted to transfer the Saco service person to Malta.
4. MDU's new service plan will adequately meet the needs of the community and will be comparable to service in other communities served by MDU.
5. Continued service of a resident service person will impose an unnecessary economic burden on MDU and its ratepayers.
6. Because there is community concern that, in the absence of a resident service person, the quality of the service in terms of response time will be unsatisfactory, and, because only experience will determine whether the community concerns are justified, the Commission will informally monitor the new service plan through the complaint process and by review of records maintained by MDU for this purpose.

ORDER

MDU shall be allowed to transfer the Saco service person to Malta, effective immediately. Prior orders to the contrary are vacated.

For a period of one year from the date of this order, MDU shall maintain a record of all nonroutine, after hours, and emergency service calls from the Saco community and note of the service required and the actual response time.

Done and Dated this 22nd day of January, 1990 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Vice Chairman

JOHN B. DRISCOLL, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.

APPENDIX A

ORDER NO. 5399a, DOCKET NO. 88.11.53

PART E

OTHER ISSUES

Saco Cutbacks

113. During the Malta “satellite” hearing, a Saco resident, Mr. James Hanson, testified in opposition to the announced closure of the Saco MDU and reassignment of the service man to Malta, Montana. Mr. Hanson, the Saco Chamber of Commerce and Agriculture, the Town Council, and approximately 80 Saco customers have contacted the Commission with information on how the personnel reductions would affect the community and their natural gas service. Much of the testimony concerns special problems these customers encounter due to the fact they are served with “wet gas” which is neither compressed nor dried before delivery to the customer. The consumer input indicates this unique situation causes frequent instances of freeze-ups that require prompt attention to avoid potential health problems, economic losses, and unacceptable periods without service.

114. MDU states that the cutbacks are necessary in MDU’s efforts to reduce the cost of providing service. The Company contends that it can adequately meet the needs of its Saco customers without an office in that town by transferring the office functions to Malta and instituting a drop box payment plan in Saco for those customers who do not like to mail their payments.

115. MDU disputes the number of times Saco residents call upon a serviceman, and the Company states that with improved roads the Malta service department will adequately meet the needs of the Saco customers.

116. In reviewing this contested issue, the Commission finds that the Company's efficiency plans in Saco must be evaluated on the basis of what service level is needed to protect the public safety and comply with the utility obligation to adequately serve its customers. The Commission is mindful that it has consistently ordered MDU to review ways to reduce its cost of providing service, and the concerns of Saco residents must, accordingly, be balanced with the costs to all ratepayers.

117. The Commission concludes that there is no compelling reason for the Commission to order the Saco office to remain open given the small number of customers, the availability of a drop box payment plan in Saco, and the use of computerized records in Malta. MDU will incur substantial savings by eliminating the office person and building costs that outweigh the personalized service.

118. However, the commission accepts the concerns of the local customers about the need to have a local serviceman to respond to night and weekend calls. Given country road conditions, the signed testimonials of past service problems where quick response was a necessity rather than a convenience, the lack of adequate records to document the hours of service performed, and the overall community concern about this matter, the Commission finds that MDU should continue to assign a serviceman to this community. As in the past, this individual can be used to perform work in both Saco and Malta as the need warrants, but, by continued residency in Saco, the weekend and night calls will generally have a quicker response time than under MDU's proposal.